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SUBJECT: OMV TO DOUBLE GAS STORAGE CAPACITY IN AUSTRIA

REF: (A) VIENNA 242; (B) 07 VIENNA 2853

¶1. On September 10, Austrian oil and gas company OMV announced its intention to double its gas storage capacity in Austria from 1.8 bcm to almost 4 bcm. OMV currently operates three smaller gas reservoirs in the east of Austria; the construction of a large fourth one near Gaenserndorf (east of Vienna) is planned to start in 2009 and will be completed in stages between 2012 and 2015. OMV says that the new storage is necessary both to increase supply security and to cope with growing gas deliveries and peak demand situations involving the large gas hub at Baumgarten (near the Slovak border).

¶2. In January, OMV and Gazprom agreed to a joint venture with the possibility of new, joint gas facilities in Austria (ref A). OMV spokesman Thomas Huemer told Embassy rep that the new storage facility is NOT/NOT a joint project with Gazprom: as with OMV's current facilities, it plans to own the new gas storage infrastructure. However, interested parties including Gazprom can book capacity in OMV's storage reservoirs, Huemer said. Asked about whether Gazprom (or OMV) might use a dominant market position to shut out other customers, Huemer said that companies such as OMV and Gazprom can theoretically block the re-selling of gas capacity to third parties but that this has not happened to his knowledge and would not make good business sense.

¶3. BACKGROUND: The new storage facility will add to the 2.4 bcm capacity of the competing reservoir at Haidach (Salzburg province), a joint project of the Austrian company RAG, Gazprom, and German Wingas, who also plan to double capacity to 4.8 bcm. According to statistics provided by the Ministry of Economics, Austria now has the fourth largest gas storage capacity among EU member states and is number eight worldwide. Austria's yearly gas demand is around 9 bcm.

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